Investment Idea

UMS Integration Limited

A Semicon Powerhouse in the house

By Lee Cai Yu

★★★★☆ **BUY**

Price: RM5.00

Fair Value: RM5.47

UMS Integration Limited (UMSINT:5340), listed on the Singapore Exchange (SGX) is set to make its secondary listing on Bursa Malaysia's Main Market today. UMSINT is a specialist in complex precision machining, sheet metal fabrication, module assembly, and over 70 specialised surface treatment processes, with core markets being the semiconductor (85% of FY24 revenue) and aerospace industries (11%). We projected UMSINT to deliver core net earnings of RM164.1m-RM185.0m for FY25-FY26F. BUY with a fair value of RM5.47 premised on 21x PER over FY26 EPS or a 25% discount to its listed peers' 26x average forward PE.

UMSINT plays a vital role in the front-end semiconductor value chain, producing high-precision components and integrated systems used in wafer fabrication equipment. Its flagship product, a deposition tool supplied to a key global customer with 60–80% market share in this segment, highlights UMSINT's mission-critical role. UMSINT supplies over half of this customer's demand for the tool, reflecting both its manufacturing capabilities and long-standing client relationships spanning over decades. The Group's unbilled order book stood at approximately SGD310.6m.

UMSINT is well-positioned to ride the semiconductor upcycle that is projected to reach USD1tri by 2030, underpinned by the growing demand for AI chips, high-performance computing, and data storage. A key growth catalyst is the Group's new 19,084 sqm purpose-built facility in Penang, Malaysia, which began operations in 2024. Tailored for a major semiconductor client, the site supports IP protection, scalable output, and potential future customer onboarding. The Group has also secured adjacent land (21,760 sqm) for further expansion, signalling its long-term commitment with Malaysia emerging as a key hub for high-tech manufacturing.

Beyond semiconductors, UMSINT is also strengthening its aerospace division propped up by a post-pandemic rebound driven by record-high passenger load factors. Thus, UMSINT is increasing engagements with existing aerospace clients with several new components are in the qualification stage and expected to enter full-scale production, adding another layer of growth and earnings diversification.

Overall, we are sanguine on UMSINT, premised on its (i) role in front-end semiconductor supply chain, (ii) focus on critical semiconductor components that have high barrier and lesser competition, (iii) strong operating performance with consistent double-digit profit margin and (iv) solid net cash position.

KLCI	1,513.25
YTD FBM KLCI change	-7.86%
YTD FBM SC Index change	-12.47%

Stock Information

Market Cap (RM'm)	3,554.32
Issued Shares (m)	710.5
Shariah Compliant	Yes

Major Shareholders

Andy Luong	15.38%
Aberdeen Group PLC	5.12%
Vanguard Group Inc	3.08%

Summary Earnings Table

FY Dec (RM'm)	2023A	2024A	2025F	2026F
Revenue	1,049.7	799.0	891.7	1,003.6
EBIT	239.0	149.3	183.0	199.9
Pretax profit	239.8	154.3	188.6	207.8
PATMI	**214.2**	**137.2**	**164.1**	**185.0**
Core PATMI	**214.2**	**137.2**	**164.1**	**185.0**
Consensus	-	-	-	-
Core EPS (sen)	30.1	19.3	23.1	26.0
EPS growth (%)	-36.4	-35.9	19.6	12.7
DPS (sen)	16.8	18.3	12.7	14.3
PER (x)	16.6	25.9	21.7	19.2
BV/Share (RM)	1.91	2.06	2.17	2.43
ROE (%)	15.8	9.7	10.9	11.3
Div. Yield (%)	3.36	3.66	2.54	2.86

Sources: Prospectus, Rakuten Trade Research

***Note: Conversion is based on an exchange rate of RM3.291/SGD.**

***The listing reference price on Bursa Malaysia was determined by multiplying UMSINT's closing market price on the SGX with the SGD/MYR closing exchange rate published by Bank Negara Malaysia (BNM) on the reference pricing date.**

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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